

CITY OF HOUSTON

Finance and Administration
Department

Interoffice

Correspondence

To: Lee P. Brown, Mayor
Bill White, Mayor-elect
Members of City Council

From: Philip B. Scheps
Director

Date: December 30, 2003

cc: Sara Culbreth, Acting CAO

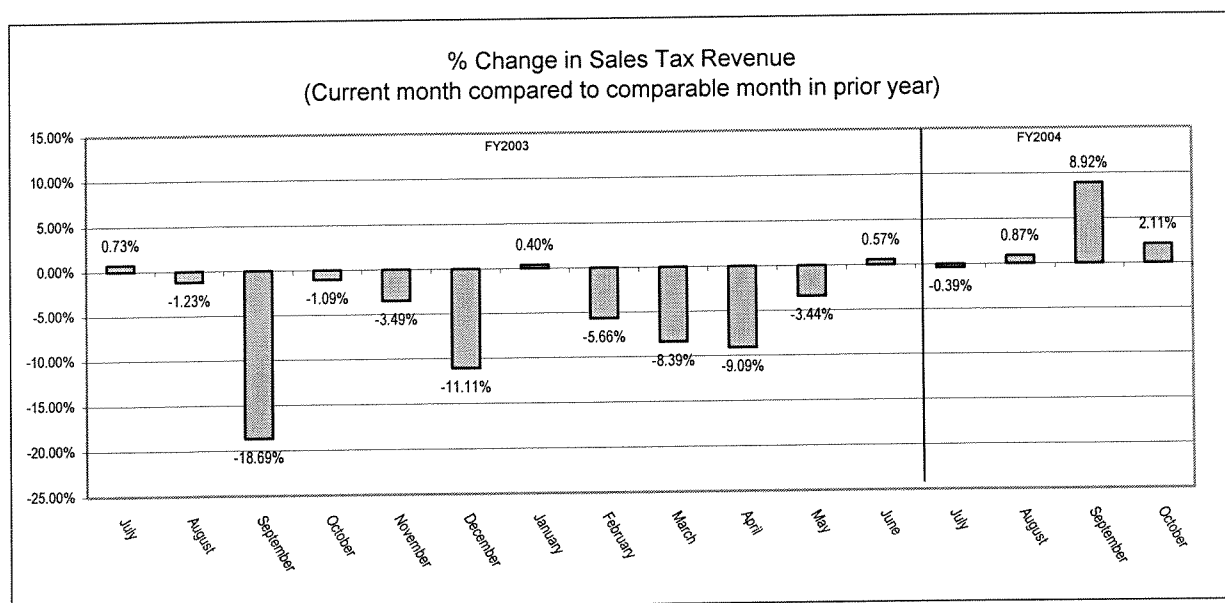
Subject: **NOVEMBER MONTHLY FINANCIAL
AND OPERATIONS REPORT**

The purpose of this document is to provide the monthly financial report for the period ending November 30, 2003. This represents the fifth monthly report for the 2004 fiscal year. The Comprehensive Annual Financial Report (CAFR) had not been completed at the time of this report, so the FY03 column is labeled "FY2003 Preliminary CAFR".

Revenues

Total revenues for the fiscal year are being projected by F and A to be \$1.393 billion, which is approximately \$8 million below the estimate included in the adopted budget annual projection. There are no changes in projections from the October monthly report.

Sales Tax - The following chart shows City sales tax checks expressed as a year-over-year increase. As shown, the most recent three monthly checks are the largest year-over-year increase since the drop began in early FY2003. The Finance and Administration Department has not raised revenue estimates for FY2004.

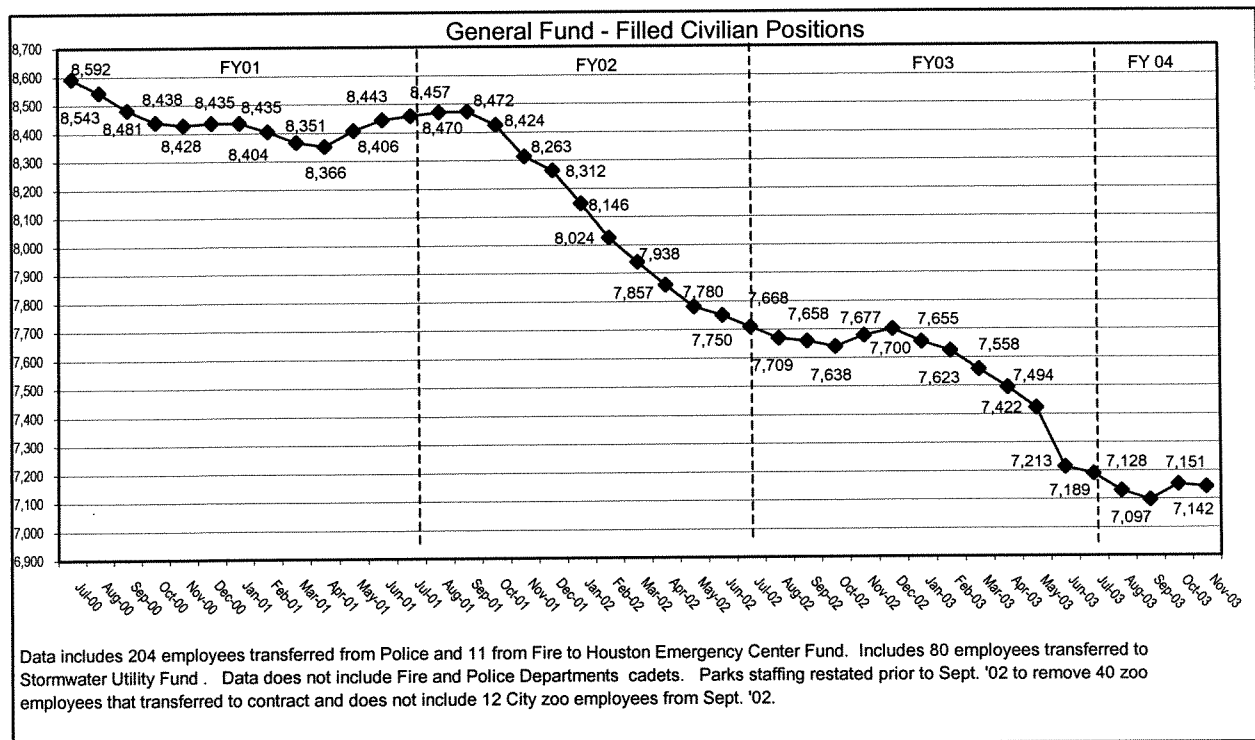


Telephone Franchise Revenue – The largest percentage variance from budget continues to be in the area of telephone franchise revenues. The current report reflects the lower revenue estimate based on deteriorating trend data which may be due to systematic movement from land lines (for which the City receives franchise revenue) to cellular lines (which are unregulated by the City and result in no revenue). A recent Federal Communications Commission (FCC) ruling allows consumers to take their landline telephone number and move it to a cellular phone. It is projected that this change will increase the current decline in the number of landlines in use, and have a negative impact on future franchise fee revenues.

Expenditures

As indicated on page three, the “Current Budget” column now reflects Mayor Brown’s reductions to achieve a balanced budget. These savings total approximately \$9.4 million. The projected reduction of \$1.3 million in the Public Works Department is for salary-recovery positions (“pass-through expenses”) that were not included in the Mayor’s budget reductions because they are exactly offset by revenue reductions.

General Fund civilian staffing decreased slightly in November as shown on the following graph. Filled civilian positions at the end of November is at 7,142, a decrease of 1,450 (approximately 17%) from the peak count in July, 2000. This decrease has been fairly presented by adjusting for staff that has simply moved to other funds or (in the case of the zoo employees) replaced with contractual payments.



Fund Balance

The projected fund balance at the end of FY2004 is projected to be \$107.4 million, which includes the Rainy Day Fund balance of \$20 million. This amount is approximately \$4.6 million higher than the budgeted ending balance, of which \$2.9 million is due to the beginning balance for the year being higher than was budgeted. The projected ending balance is 8.7% of expenditures less debt service.

Enterprise Funds

Due to the change in direction relative to the assessment of a new drainage fee, the Finance and Administration Department has added a footnote to the Fund 227 (Storm-water Utility Fund) statement on Page 24 which acknowledges that approximately \$12 million will be required from some other source to balance the fund for FY 2004. A plan to deal with this problem is currently being developed for discussion with the City Council early in 2004.

Please call me if you have any questions.



Philip B. Scheps